MPOFANA MUNICIPALITY
Annual Financial Statements
for the year ended 30 June, 2016

General Information

Nature of business and principal activities	Providing Municipal Services
Members of Council	
Mayor	T M Magubane
Councillors	X M Duma
	M E Majola
	M N Mthalane
	B R Khumalo
	N E Ndlovu
	S Ndumo
Chief Finance Officer (CFO)	Pitso Molefe (Acting)
Registered office	10 Claughton Terrace
	Mooi River
	3300
Municipal Contact details	033 263 1221/7700
	Mooi River
	3300
Postal address	P O Box 47
	Mooi River
	3300
Bankers	First National Bank
Auditors	The Auditor General of South Africa

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The reports and statements set out below comprise the Annual Financial Statements presented to the Municipal Council:

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Abbreviations

EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
INEP	Integrated National Electrification Program
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
SARS	South African Revenue Services
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June, 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The Annual Financial Statements are prepared on the basis that the municipality is a going concern and that the council has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The Auditor General (SA) is responsible for independently reviewing and reporting on the municipality's Annual Financial Statements. The Annual Financial Statements have been examined by the municipality's external auditors.

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Annual Financial Statements set out on page 5 to 48, which have been prepared on the going concern basis, were approved by the Council on 31 August 2016 and were signed on its behalf by

Accounting Officer
M Moyo

Approval of Annual Financial Statements

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 5 to 48, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 31 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The Accounting Officer is responsible for the presentation and fair presentation of these Annual Financial Statements in accordance with Generally Recognised Accounting Practice (GRAP) in a manner required by local goverment: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) including any intepretations, guidelines and directives issued by the Accounting Standards Board.

It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

Accounting Officer:
Max Moyo

Statement of Financial Position as at 30 June, 2016

	Note(s)	2016 R	2015 Restated* R
Assets			
Current Assets			
Inventories	2	261,035	76,130
VAT receivable	3	2,673,249	-
Other receivables	4	3,577,641	2,814,900
Receivables from non-exchange transactions	5	12,342,982	16,446,890
Loan receivable	6	399,638	462,533
Receivables from exchange transactions	7	19,172,146	12,192,568
Cash and cash equivalents	8	4,934,687	12,174,934
		43,361,378	**44,167,955**
Non-Current Assets			
Investment property	9	21,202,000	19,995,750
Property, plant and equipment	10	81,679,876	61,232,643
Intangible assets	11	3,469	5,209
Heritage assets	12	107,500	98,850
		102,992,845	**81,332,452**
Total Assets		**146,354,223**	**125,500,407**
Liabilities			
Current Liabilities			
Finance lease obligation	13	512,087	410,803
Payables from exchange transactions	14	31,385,491	11,874,453
Payables from non-exchange transactions	15	2,654,658	2,236,713
VAT payable		-	2,230,512
Consumer deposits	16	263,758	247,766
Employee benefit obligation	17	358,000	448,000
Unspent conditional grants and receipts	18	19,709,044	19,229,810
Provisions	19	6,966,274	5,676,869
Short term portion of long term liabilities	20	15,239	67,224
		61,864,551	**42,422,150**
Non-Current Liabilities			
Finance lease obligation	13	242,410	39,315
Employee benefit obligation	17	10,048,000	10,775,000
		10,290,410	**10,814,315**
Total Liabilities		**72,154,961**	**53,236,465**
Net Assets		**74,199,262**	**72,263,942**
Net Assets			
Accumulated surplus		74,199,262	72,263,942

* See Note 42

Statement of Financial Performance

	Note(s)	2016 R	2015 Restated* R
Revenue			
Service charges	22	49,791,792	45,036,751
Rental of facilities and equipment	23	446,649	533,684
Licences and permits		1,484,236	2,521,412
(Loss) / profit on disposal of assets		(70,854)	213,545
Other income	24	1,864,642	1,604,703
Interest received		2,550,490	2,680,850
Property rates	27	10,646,915	10,111,519
Property rates - penalties imposed	27	2,406,165	2,294,937
Donations received		-	835,418
Government grants & subsidies	28	56,296,486	44,264,627
Fines, Penalties and Forfeits		8,691,200	6,216,200
Total revenue		**134,107,721**	**116,313,646**
Expenditure			
Employee related costs	30	(31,171,087)	(28,939,247)
Remuneration of councillors	31	(2,485,785)	(1,547,162)
Depreciation and amortisation	32	(6,793,726)	(5,485,545)
Impairment loss/ Reversal of impairments	29	(81,554)	-
Finance costs	26	(248,829)	(384,926)
Debt Impairment	33	(14,650,694)	(16,499,081)
Repairs and maintenance		(1,547,808)	(2,405,815)
Bulk purchases	34	(52,919,745)	(41,491,713)
Contracted services	35	(14,644,148)	(3,804,515)
Bank charges		(136,739)	(148,338)
General Expenses	36	(17,787,620)	(15,182,486)
Total expenditure		**(142,467,735)**	**(115,888,828)**
Operating (deficit) surplus		**(8,360,014)**	**424,818**
Fair value adjustments		1,206,250	-
(Deficit) surplus for the year		**(7,153,764)**	**424,818**

* See Note 42

Statement of Changes in Net Assets

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Balance at 1 July, 2014	**8,581,605**	**71,839,124**	**80,420,729**
Changes in net assets			
Surplus for the year	-	424,818	424,818
Reversal	(8,581,605)	-	(8,581,605)
Total changes	(8,581,605)	424,818	(8,156,787)
Restated* Balance at 1 July, 2015	**-**	**72,263,942**	**72,263,942**
Changes in net assets			
Fair value adjustment	-	1,214,900	1,214,900
Prior year adjustments	-	7,874,184	7,874,184
Net income (losses) recognised directly in net assets	-	9,089,084	9,089,084
Surplus for the year	-	(7,153,764)	(7,153,764)
Total recognised income and expenses for the year	-	1,935,320	1,935,320
Total changes	-	1,935,320	1,935,320
Balance at 30 June, 2016	**-**	**74,199,262**	**74,199,262**

* See Note 42

Cash Flow Statement

	Note(s)	2016 R	2015 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		59,044,590	77,921,302
Grants		56,296,489	44,264,627
Interest income		2,550,490	2,680,850
Licences and permits		1,484,236	2,521,412
		119,375,805	127,388,191
Payments			
Employee costs		(33,656,872)	(30,486,409)
Suppliers		(65,641,969)	(81,353,841)
Finance costs		(248,829)	(384,926)
		(99,547,670)	(112,225,176)
Net cash flows from operating activities	39	**19,828,135**	**15,163,015**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(27,401,897)	(12,092,283)
Proceeds from sale of property, plant and equipment	10	81,121	96,132
Purchase of investment property	9	-	(4,477,750)
Proceeds from sale of other intangible assets	11	-	(2,988)
Net cash flows from investing activities		**(27,320,776)**	**(16,476,889)**
Cash flows from financing activities			
Movement in annuity loan		(51,985)	(23,756)
Finance lease payments		304,379	(679,352)
Net cash flows from financing activities		**252,394**	**(703,108)**
Net increase/(decrease) in cash and cash equivalents		**(7,240,247)**	**(2,016,982)**
Cash and cash equivalents at the beginning of the year		12,174,934	14,191,916
Cash and cash equivalents at the end of the year	8	**4,934,687**	**12,174,934**

* See Note 42

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	57,150,000	(5,372,634)	**51,777,366**	49,791,792	**(1,985,574)**	Annexure A.1
Rental of facilities and equipment	219,000	435,342	**654,342**	446,649	**(207,693)**	Annexure A.2
Licences and permits	3,211,000	(1,793,000)	**1,418,000**	1,484,236	**66,236**	Annexure A.3
Fair value adjustment	-	-	-	(70,854)	**(70,854)**	Annexure A.4
Other income	684,000	8,230,000	**8,914,000**	1,864,642	**(7,049,358)**	Annexure A.5
Interest earned - outstanding debtors	2,349,000	(265,000)	**2,084,000**	-	**(2,084,000)**	Annexure A.6
Service charges - refuse revenue	3,222,000	-	**3,222,000**	-	**(3,222,000)**	Annexure A.7
Interest received - investment	524,000	(100,000)	**424,000**	2,550,490	**2,126,490**	Annexure A.8
Total revenue from exchange transactions	**67,359,000**	**1,134,708**	**68,493,708**	**56,066,955**	**(12,426,753)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	11,929,000	(1,451,000)	**10,478,000**	10,646,915	**168,915**	Annexure A.9
Property rates - penalties imposed	2,766,000	(600,000)	**2,166,000**	2,406,165	**240,165**	Annexure A.10
Transfer revenue						
Government grants & subsidies	38,427,000	-	**38,427,000**	56,296,486	**17,869,486**	Annexure A.11
Fines, Penalties and Forfeits	336,000	6,909,981	**7,245,981**	8,691,200	**1,445,219**	Annexure A.12
Total revenue from non-exchange transactions	**53,458,000**	**4,858,981**	**58,316,981**	**78,040,766**	**19,723,785**	
Total revenue	**120,817,000**	**5,993,689**	**126,810,689**	**134,107,721**	**7,297,032**	
Expenditure						
Personnel	(29,166,000)	(330,000)	**(29,496,000)**	(31,171,087)	**(1,675,087)**	Annexure A.13
Remuneration of councillors	(2,261,000)	(273,000)	**(2,534,000)**	(2,485,785)	**48,215**	Annexure A.14
Depreciation and amortisation	(5,370,000)	-	**(5,370,000)**	(6,793,726)	**(1,423,726)**	Annexure A.15
Impairment loss/ Reversal of impairments	-	-	-	(81,554)	**(81,554)**	Annexure A.16
Finance costs	(635,000)	-	**(635,000)**	(248,829)	**386,171**	Annexure A.17
Bad debts written off	(10,106,000)	-	**(10,106,000)**	(14,650,694)	**(4,544,694)**	Annexure A.18
Repairs and maintenance	-	-	-	(1,547,808)	**(1,547,808)**	Annexure A.19
Bulk purchases	(55,735,000)	-	**(55,735,000)**	(52,919,745)	**2,815,255**	Annexure A.20
Contracted Services	(6,659,000)	1,730,000	**(4,929,000)**	(14,644,148)	**(9,715,148)**	Annexure A.21
Bank charges	-	-	-	(136,739)	**(136,739)**	Annexure A.22
General Expenses	(11,481,000)	(5,256,000)	**(16,737,000)**	(17,787,620)	**(1,050,620)**	Annexure A.23
Total expenditure	**(121,413,000)**	**(4,129,000)**	**(125,542,000)**	**(142,467,735)**	**(16,925,735)**	
Operating deficit	**(596,000)**	**1,864,689**	**1,268,689**	**(8,360,014)**	**(9,628,703)**	
Fair value adjustments	-	-	-	1,206,250	**1,206,250**	Annexure A.24
Deficit before taxation	**(596,000)**	**1,864,689**	**1,268,689**	**(7,153,764)**	**(8,422,453)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Deficit for the year from continuing operations	**(596,000)**	**1,864,689**	**1,268,689**	**(7,153,764)**	**(8,422,453)**	
Transfers recognised - capital	(12,295,000)	(4,000,000)	**(16,295,000)**	(27,401,897)	**(11,106,897)**	Annexure A.25
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(12,891,000)**	**(2,135,311)**	**(15,026,311)**	**(34,555,661)**	**(19,529,350)**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	76,130	**76,130**	261,035	**184,905**	Annexure A.26
Other receivables	497,000	-	**497,000**	3,577,641	**3,080,641**	Annexure A.27
VAT receivable	-	-	-	2,673,249	**2,673,249**	Annexure A.28
Receivables from non-exchange transactions	-	-	-	12,342,982	**12,342,982**	Annexure A.29
Consumer debtors	29,000,000	-	**29,000,000**	19,172,146	**(9,827,854)**	Annexure A.30
Financial assets - investments	5,882,000	(4,529,000)	**1,353,000**	-	**(1,353,000)**	Annexure A.31
Loan receivable	500,000	(100,362)	**399,638**	399,638	-	Annexure A.32
Cash and cash equivalents	1,000,000	(1,000,000)	-	4,934,687	**4,934,687**	Annexure A.33
	36,879,000	**(5,553,232)**	**31,325,768**	**43,361,378**	**12,035,610**	
Non-Current Assets						
Investment property	5,335,000	-	**5,335,000**	21,202,000	**15,867,000**	Annexure A.34
Property, plant and equipment	58,553,000	14,650,000	**73,203,000**	81,679,876	**8,476,876**	Annexure A.35
Intangible assets	85,000	-	**85,000**	3,469	**(81,531)**	Annexure A.36
Heritage assets	-	-	-	107,500	**107,500**	Annexure A.37
Other non-current assets	99,000	-	**99,000**	-	**(99,000)**	Annexure A.38
	64,072,000	**14,650,000**	**78,722,000**	**102,992,845**	**24,270,845**	
Total Assets	**100,951,000**	**9,096,768**	**110,047,768**	**146,354,223**	**36,306,455**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	512,087	**512,087**	Annexure A.39
Payables from exchange transactions	17,109,000	2,899,869	**20,008,869**	10,058,082	**(9,950,787)**	Annexure A.40
Taxes and transfers payable (non-exchange)	-	-	-	2,654,658	**2,654,658**	Annexure A.41
Consumer deposits	266,000	-	**266,000**	263,758	**(2,242)**	Annexure A.42
Employee benefit obligation	-	-	-	358,000	**358,000**	Annexure A.43
Unspent conditional grants and receipts	-	-	-	19,709,044	**19,709,044**	Annexure A.44
Provisions	7,524,000	(1,376,000)	**6,148,000**	6,966,274	**818,274**	Annexure A.45
Short term portion of long term liabilities	70,000	-	**70,000**	15,239	**(54,761)**	Annexure A.46
Bank overdraft	-	15,836,000	**15,836,000**	-	**(15,836,000)**	Annexure A.47
	24,969,000	**17,359,869**	**42,328,869**	**40,537,142**	**(1,791,727)**	
Non-Current Liabilities						
Borrowings	950,000	-	**950,000**	-	**(950,000)**	Annexure A.48
Finance lease obligation	-	-	-	242,410	**242,410**	Annexure A.49
Employee benefit obligation	-	-	-	10,048,000	**10,048,000**	Annexure A.50
Provisions	11,486,000	-	**11,486,000**	-	**(11,486,000)**	Annexure A.51
	12,436,000	-	**12,436,000**	**10,290,410**	**(2,145,590)**	
Total Liabilities	**37,405,000**	**17,359,869**	**54,764,869**	**50,827,552**	**(3,937,317)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Net Assets	**63,546,000**	**(8,263,101)**	**55,282,899**	**95,526,671**	**40,243,772**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	63,546,000	(8,263,101)	**55,282,899**	95,526,671	**40,243,772**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Segment information

A segment is an activity of an entity:
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of Annual Financial Statements, in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Municipality's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates that are significant to the Annual Financial Statements are disclosed in the relevant sections of the Annual Financial Statements. Although these estimates are based on management's knowledge of current events and actions. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

Trade receivables and loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, at weighted average percentage based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Consumer debtors are expected to be realised within 12 months after the reporting date.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the detailed disclosure note 19 - Provisions.

Allowance for doubtful debts

An impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services; or
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at fair value. Based on management's judgement, the following criteria have been used to distinguish investment properties from owner occupied property or property held for resale:-

Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;

A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);

A property owned by the municipality and leased out at a below market rental; and

Property that is being constructed or developed for future use as investment property.

Subsequent Measurement

Investment property is measured using fair value model and shall measure all of its property at fair value.

The fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair value specifically excludes an estimated price inflated or deflated by special terms or circumstances such as sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale.

An entity determines fair value without any deduction for transaction costs it may incur on sale or other disposal.

Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its Disposal.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Subsequent measurement

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Depreciation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Asset classification	Depreciation method	Average useful life
Buildings	Straight line	5 - 25 years
Infrastructure	Straight line	3 - 60 years
Leased assets	Straight line	3 - 5 years
Other property, plant and equipment	Straight line	3 - 10 years

Derecognition

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

The municipality has a landfill site which it is obligated to rehabilitate at the end of its useful life.

1.7 Intangible assets

Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:-

- it is technically feasible to complete the Intangible asset so that it will be available for use or sale.
- Management intends to complete the Intangible Asset and use or sell it.
- there is an ability to use or sell it.
- it can be demonstrated how the Intangible Asset will generate probable future economic benefits or service potential.
- Adequate technical, financial and other resources to complete the development and to use or sell the Intangible asset are available; and
- the expenditure attributable to the Intangible asset during its development can be measured reliably.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost..

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Subsequent Measurement, Amortisation and Impairment.

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets.It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2 years

Intangible Assets are annually tested for impairment as described in Accounting Policy 7 on Impairment of Assets, including Intangible Assets not yet available for use. Where items of Intangible Assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

Accounting Policies

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a Change in Accounting Estimate in the Statement of Financial Performance.

Derecognition

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potentialexpected from the use of the asset. The gain or loss arising on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance

Transitional provision

The municipality changed its accounting policy for intangible assets in 2016. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where intangible assets were acquired through a transfer of functions, the municipality is not required to measure that intangible assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2016 and intangible assets has accordingly been recognised at provisional amounts, as disclosed in 11.

Until such time as the measurement period expires and intangible assets are recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Intangible assets implies that any associated presentation and disclosure requirements need not be complied with for intangible assets not measured in accordance with the requirements of the Standard of GRAP on Intangible assets.

1.8 Heritage assets

A Heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage assets are considered to be indefinite assets and are therefore not depreciated.

Initial Recognition

The cost of an item of Heritage Assets is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent Measurement

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses or fair value if the initial cost cannot be measured reliably.

Derecognition

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Any contingent rents are expensed in the period in which they are incurred.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the financial period end.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the relevant notes to the financial statements.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, volume rebates and value-added taxes (VAT).

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the municipality receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Measurement

Accounting Policies

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

Donations are measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.15 Commitments

Commitments are not recognised. Commitments are disclosed in the notes to the Annual Financial Statement. A commitment is disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Accounting Policies

1.17 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of iabilitiesthat result in a decrease in net assets.

An expense is recognised in the municipality's Statement of Financial Performance when the following criteria is satisfied: The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition, it is disclosed in the note; and:

All expenditure has been dealt with in terms of the above definition and recognition criteria The cost or value may involve estimation.

Expenses are generally accounted for on an accrual basis at fair value. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willin parties in an arm's length transaction. Under the accrual basis of accounting, expenses are recognised as incurred when goods are received or services are consumed. This may not be when goods are paid for.

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was incurred which does not result in future economic benefits flowing to the municipality and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Housing subsidies

The municipality provides post-retirement housing subsidies for qualifying staff members. The payment of these subsidies is reflected as expenditure in the municipality.

1.21 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the municipality when the gratuity is paid.

1.22 Related parties

The municipality has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Accounting Policies

1.23 Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of service delivery.

1.24 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a reconciliation with the budgeted amounts for the reporting period have been included in the Annual Financial Statements.

Comparative information is not required.

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

Notes to the Annual Financial Statements

	2016 R	2015 R

2. Inventories

Consumable stores	261,035	76,130

3. VAT receivable

South African Revenue Services (SARS)	2,673,249	-

4. Other receivables

Fines	21,917,258	13,636,708
Sundry debtors	920,571	1,244,970
Allowance for impairment - fines	(18,762,711)	(12,066,778)
Allowance for impairment - sundry debtors	(497,477)	-
	3,577,641	**2,814,900**

Sundry debtors relate to the following:

- Salary overpayment to Council in the current and prior year and Acting Director: Corporate Services in the current year.

5. Receivables from non-exchange transactions

Gross balances		
Rates	24,685,963	30,160,382
Less: Allowance for impairment		
Rates	(12,342,982)	(13,713,492)
Net balance		
Rates	12,342,981	16,446,890
Rates		
Current (0 -30 days)	1,295,447	15,973
31 - 60 days	471,278	655,939
61 - 90 days	386,106	931,036
91 - 120 days	22,533,132	28,557,434
	24,685,963	**30,160,382**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(13,713,492)	(12,181,259)
Contributions to allowance	1,370,510	(1,532,233)
	(12,342,982)	**(13,713,492)**

6. Loan receivable

UMgungundlovu District Municipality	399,638	462,533

7. Receivables from exchange transactions

Gross balances		
Electricity	5,273,578	6,147,929
Refuse	12,560,175	10,839,144
Sundry debtors	37,283,973	21,825,803
	55,117,726	**38,812,876**

Notes to the Annual Financial Statements

	2016 R	2015 R

7. Receivables from exchange transactions (continued)

Less: Allowance for impairment		
Electricity	(1,054,676)	(1,210,014)
Refuse	(8,792,123)	(4,436,718)
Sundry debtors	(26,098,781)	(20,973,576)
	(35,945,580)	**(26,620,308)**

Net balance		
Electricity	4,218,902	4,937,915
Refuse	3,768,052	6,402,426
Sundry debtors	11,185,192	852,227
	19,172,146	**12,192,568**

Electricity		
Current (0 -30 days)	1,787,691	874,464
31 - 60 days	322,607	225,992
61 - 90 days	182,563	114,962
91 - 120 days	2,980,517	1,823,832
	5,273,378	**3,039,250**

Refuse		
Current (0 -30 days)	567,720	244,877
31 - 60 days	262,604	228,693
61 - 90 days	260,946	223,448
91 - 120 days	11,468,904	4,550,010
	12,560,174	**5,247,028**

Sundries		
Current (0 -30 days)	909,169	462,855
31 - 60 days	437,310	406,117
61 - 90 days	432,901	393,195
91 - 120 days	35,504,592	10,615,315
	37,283,972	**11,877,482**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(26,620,308)	(22,367,026)
Contributions to allowance	(9,325,272)	(4,253,282)
	(35,945,580)	**(26,620,308)**

Consumer debtors impaired

As of 30 June, 2016, consumer debtors from non-exchange and exchange transactions of (R48,288, 562) - (2015: R 40,333,800) were impaired and provided for.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	800
Bank balances	4,934,687	12,174,134
	4,934,687	**12,174,934**

The municipality had the following bank accounts

	2016 R	2015 R

8. Cash and cash equivalents (continued)

Account number / description	Bank statement balances 30 June, 2016	30 June, 2015	30 June, 2014	Cash book balances 30 June, 2016	30 June, 2015	30 June, 2014
First National Bank Limited - Mooi River branch - Public sector current account - Account number 53050399907	2,096,789	2,560,694	2,052,318	2,096,789	2,488,211	1,310,809
First National Bank Limited - Mooi River branch - Public sector current account - Account number 62101108034	61,293	198,351	337,243	61,293	198,351	337,243
First National Bank - Call account - 62187203957	18,664	7,418,874	7,350,637	18,664	7,418,874	7,350,637
First National Bank - Call account - 62237621760	449	10,257	2,097,636	449	10,257	2,097,636
ABSA Bank - Investment account - 6303799366	962,256	961,272	960,292	962,256	961,272	960,292
First National Bank - Call account - 62172488085	510,311	583,197	559,604	510,311	583,197	559,604
First National Bank - Call account - 62141712001	1,376	11,170	446,739	1,376	11,170	446,739
First National Bank - Call account - 62172498183	205,493	236,515	226,947	205,493	236,515	226,947
First National Bank - Call account - 62134172890	4,345	101,376	46,206	4,345	101,376	46,206
First National Bank - Call account - 62172493935	1,181	88,860	85,692	1,181	88,860	85,692
First National Bank - Call account - 62036716746	215	39,799	39,402	215	39,799	39,402
First National Bank - Call account - 62173946040	5,095	34,065	32,884	5,095	34,065	32,884
First National Bank - Call account - 62066847553	1,067,220	2,187	2,165	1,067,220	2,187	2,165
Total	**4,934,687**	**12,246,617**	**14,237,765**	**4,934,687**	**12,174,134**	**13,496,256**

9. Investment property

	2016 Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	2015 Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	21,202,000	-	21,202,000	19,995,750	-	19,995,750

Reconciliation of investment property - 2016

	Opening balance	Fair value adjustments	Total
Investment property	19,995,750	1,206,250	21,202,000

	2016 R	2015 R

9. Investment property (continued)

Reconciliation of investment property - 2015

	Opening balance	Additions	Adjustment	Fair value adjustments	Total
Investment property	13,917,000	4,477,750	(10,861,000)	12,462,000	19,995,750

10. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3,240,776	-	3,240,776	3,318,590	-	3,318,590
Buildings	8,807,370	(5,252,721)	3,554,649	6,349,265	(5,205,647)	1,143,618
Infrastructure	104,157,865	(52,976,689)	51,181,176	86,421,359	(48,856,477)	37,564,882
Other property, plant and equipment	8,963,554	(5,675,726)	3,287,828	8,321,169	(4,419,871)	3,901,298
Capital work in progress	15,447,810	-	15,447,810	11,458,928	-	11,458,928
Finance lease assets	9,847,634	(6,879,062)	2,968,572	8,596,261	(5,667,259)	2,929,002
Landfill site	8,194,036	(6,194,971)	1,999,065	7,009,482	(6,093,157)	916,325
Total	**158,659,045**	**(76,979,169)**	**81,679,876**	**131,475,054**	**(70,242,411)**	**61,232,643**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Depreciation	Impairment loss	Total
Land	3,318,590	-	-	(77,814)	-	-	3,240,
Buildings	1,143,618	47,223	2,585,948	(2,934)	(219,206)	-	3,554,
Infrastructure	37,564,882	516,518	17,173,850	(373)	(4,004,676)	(69,025)	51,181,
Other property, plant and equipment	3,901,298	653,550	-	-	(1,254,490)	(12,530)	3,287,
Capital work in progress	11,458,928	23,748,680	(19,759,798)	-	-	-	15,447,
Finance lease assets	2,929,002	1,251,372	-	-	(1,211,802)	-	2,968,
Landfill site	916,325	1,184,554	-	-	(101,814)	-	1,999,
	61,232,643	**27,401,897**	**-**	**(81,121)**	**(6,791,988)**	**(81,555)**	**81,679,**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Depreciation	Impairme loss
Land	3,318,590	-	-	-	-	-	
Buildings	1,385,437	75,446	-	(79,567)	-	(237,698)	
Infrastructure	37,420,677	-	2,507,412	-	-	(3,219,013)	(20,
Other property, plant and equipment	1,698,112	2,809,414	-	-	-	(830,190)	(11,
Capital work in progress	4,758,917	9,207,423	-	-	(2,507,412)	-	
Finance lease assets	2,326,556	-	-	(16,565)	-	(722,743)	
Landfill site	1,406,070	-	-	-	-	(468,145)	
	52,314,359	**12,092,283**	**2,507,412**	**(96,132)**	**(2,507,412)**	**(5,477,789)**	**(31,**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	72,258	(68,789)	3,469	72,258	(67,049)	5,209

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	5,209	(1,740)	3,469

Reconciliation of intangible assets - 2015

	Opening balance	Disposals	Amortisation	Total
Computer software	9,978	2,988	(7,757)	5,209

12. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	107,500	-	107,500	98,850	-	98,850

Reconciliation of heritage assets 2016

Notes to the Annual Financial Statements

	2016 R	2015 R

12. Heritage assets (continued)

	Opening balance	Revaluation increase	Total
Mayoral chain	98,850	8,650	107,500

Reconciliation of heritage assets 2015

	Opening balance	Total
Mayoral chain	98,850	98,850

13. Finance lease obligation

	2016 R	2015 R
Minimum lease payments due		
- within one year	680,529	939,228
- in second to fifth year inclusive	314,090	89,896
	994,619	1,029,124
less: future finance charges and Maintanance	(240,122)	(579,106)
Present value of minimum lease payments	**754,497**	**450,018**
Present value of minimum lease payments due		
- within one year	245,315	410,803
- in second to fifth year inclusive	509,182	39,215
	754,497	**450,018**
Non-current liabilities	242,410	39,315
Current liabilities	512,087	410,803
	754,497	**450,118**

The average lease term is 5 years. Interest rates are linked to prime for printers and prime less 2% for motor vehicles, at the contract date.

14. Payables from exchange transactions

	2016 R	2015 R
Trade payables	20,823,043	471,517
Accruals	6,788,901	5,821,514
Sundry creditors	331,660	340,699
Debtor payments received in advance	1,787,949	3,604,242
Accruals - uMgungundlovu District Municipality	-	605,397
PAYE Control account	234,406	-
Retension control account	1,419,532	1,003,356
Unallocated receipts	-	27,728
	31,385,491	**11,874,453**

Trade payables are normally settled within 30 days.

15. Payables from non-exchange transactions

	2016 R	2015 R
Leave pay provision	2,654,658	2,236,713

Notes to the Annual Financial Statements

	2016 R	2015 R

16. Consumer deposits

Electricity	263,658	247,766
Other	100	-
	263,758	**247,766**

No interest is paid on consumer deposits.

17. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The Council operates a defined medical aid benefit scheme for the benefit of its qualifying employees.

Post-retirement medical aid benefits are offered to qualifying employees by subsidising a portion of the medical aid contribution after retirement.

The municipality is committed to pay subsidies broadly as follows:
- 60% to current employees
- 60%/100% to current continuation retirees
- Widow(er)s and orphans of current employees are entitled to continue at 60% or 100%, the subsidy upon the death of the pensioner.

Long service bonus awards

The long service bonus awards consist of an obligation to pay out bonus in the year of the employee attaining the required service. This obligation represents a liability to the municipality and the value is represented by the present value of the total long service bonus awards expected to become payable under the municipality's current policy.

The municipality offers bonuses for every five years of completed service from ten years to forty five years. Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. It has been assumed that in all cases, employees choose to exercise the option to wholly convert their accumulated leave days bonus into cash.

The most recent actuarial valuation was performed for the above mentioned obligations on 30 June 2016 by One Pangaea Financial using Projected Unit Credit Method.

The full obligation has been recognised as at the date of the statement of financial position.

The aggregate amounts recognised in the statement of financial position are as follows:

Carrying value		
Opening balance	11,223,000	(10,728,000)
Current service cost	(724,000)	(734,000)
Interest cost	(1,020,000)	(999,000)
Benefit payment	439,000	448,000
Acturial gain /(losses)	488,000	790,000
	10,406,000	**(11,223,000)**
Non Current Liabilities	(10,048,000)	(10,775,000)
Current Liabilities	(358,000)	(448,000)
	(10,406,000)	**(11,223,000)**

Net expense recognised in the statement of financial performance

	2016 R	2015 R

17. Employee benefit obligations (continued)

17.1. Post retirement medical aid

	2016 R	2015 R
Opening balance	(9,962,000)	(9,562,000)
Current service cost	(570,000)	(556,000)
Interest cost	(917,000)	(904,000)
Benefit payment	344,000	345,000
Acturial gain / (Losses)	2,166,000	715,000
	(8,939,000)	**(9,962,000)**

17.2. Long service bonus awards

	2016 R	2015 R
Opening balance	(1,261,000)	(1,166,000)
Current Service cost	(154,000)	(178,000)
Interest cost	(103,000)	(95,000)
Benefit payment	95,000	103,000
Acturial gain /(Losses)	(44,000)	75,000
	(1,467,000)	**(1,261,000)**

Assumptions used at the reporting date:

Discount rate used	9.55%	9.37%
Health care cost inflation	7.06%	6.89%
Consumer price index	8.56%	8.39%

Retirement age

Female	63	63
Male	63	63

Number of eligible members	67	70
Number of pensioners	9	9

Other assumptions - post retirement medical aid

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Notes to the Annual Financial Statements

	2016 R	2015 R

17. Employee benefit obligations (continued)

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and the interest cost	2,010,000	1,266,000
Effect on defined benefit obligation	12,337,000	8,499,000
	14,347,000	**9,765,000**

Other assumptions - long service bonus awards

The valuation bases assumed that the salary inflation rate (which manifest its self as an annual increase in employees' salaries which determine the bonuses payable) will be 0,09% less than the corresponding discount rate, in the long term. The effect of 1% increase and decrease in the salary inflation rate is as follows:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and the interest cost	353,000	285,000
Effect on the employees benefit obligation	1,617,000	1,336,000
	1,970,000	**1,621,000**

Defined contribution plan

Certain municipal councillors and employees belong to The Natal Joint Municipal Pension Fund (Superannuation) and The Natal Joint Municipal Pension Fund (Retirement) which are administered by the Province.

These schemes cannot be broken down per municipality, as they are considered to be multi-employer schemes and hence are treated as defined contribution schemes by the municipality. Information from the schemes as a whole is included below.

Municipal employees are also members of the KwaZulu Natal Joint Municipal Provident Fund, South African Local Authorities (SALA) Provident and Retirement Funds. All contributions have been included in the employee related cost note.

	2016 R	2015 R

17. Employee benefit obligations (continued)

SUPERANNUATION FUND

As at 31 March 2012 (the last date of valuation), the actuarial value of total assets was R 121,7 million more than the actuarial value of liabilities for service of members to that date and for pensioners, made up as follows:

- Surplus of R 210 million in respect of pensioners (funding level 119,4%)
- Deficit of R 88,3 million in respect of members (funding level 95%)
- The fund was thus 104% funded
- The fund did not hold an investment reserve
- The total contribution rate payable,including the surcharge by and on behalf of members,exceeded that required for future service by 1,41 % of members pensionable emoluments
- An additional contribution by way of a surcharge amounting to 6% of salaries is currently in place to fund the deficit. The surcharge have been reduce to 4,5% with effect from 1 July 2007

RETIREMENT FUND

As at 31 March 2012 (the last date of valuation), the actuarial value of total assets was R 140,9 million more that the actuarial value of liabilities for services of members to that date and for pensioners made up as follows:
- Surplus of R 63,4 million in respect of pensioners (funding level 116,2%)
- Deficit of R204,3 million in respect of members (funding level 73%)
- The fund was thus 87,7% funded
- The fund did not hold an investment reserve
- The total contribution rate payable (including the surcharge of 14 % payable jointly by pre-1 July 2002 members and their employers on their behalf) exceeded that required for future service by 12,59% of members' pensionable emoluments. This should be sufficient , provided that salary increases do not exceed CPIX plus 0,5 %.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2016 R	2015 R
Cragieburn housing project grant	5,840,388	5,840,388
Expanded Public Works Programme Grant	-	120,941
Municipal Assistance Grant- Small Town grant	5,700,175	5,000,000
Townview housing project grant	8,168,481	8,168,481
Environmental project grant	-	100,000
	19,709,044	**19,229,810**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government

Municipal Systems Improvement Grant

	2016 R	2015 R
Additions during the year	934,000	930,000
Income recognition during the year	(934,000)	(930,000)
	-	-

Municipal Assistance Grant

	2016 R	2015 R
Balance at the beginning of the year	5,000,000	-
Additions during the year	3,000,000	5,000,000
Income recognition during the year	(2,299,825)	-
	5,700,175	**5,000,000**

Notes to the Annual Financial Statements

	2016 R	2015 R

18. Unspent conditional grants and receipts (continued)

Townview housing project grant

Balance at the beginning of the year	8,168,481	8,168,481

Cragieburn housing project grant

Balance at the beginning of the year	5,840,388	5,840,388

Financial management grant

Balance at the beginning of the year	-	15
Additions during the year	1,800,000	1,800,000
Income recognition during the year	(1,800,000)	(1,800,015)
	-	-

Environmental project grant

Balance at the beginning of the year	-	100,000

Library grant

Additions during the year	928,000	-
Income recognition during the year	(928,000)	-
	-	-

Municipal Infrastructure Grant

Balance at the beginning of the year	-	1,733,398
Additions during the year	16,295,000	9,830,000
Income recognition during the year	(16,295,000)	(9,830,398)
Transferred to Equitable Shares	-	(1,733,000)
	-	-

Intergrated National Electrification Program

Additions during the year	6,000,000	5,000,000
Income recognition during the year	(6,000,000)	(5,000,000)
	-	-

Museum

Additions during the year	166,000	302,000
Income recognition during the year	(166,000)	(302,000)
	-	-

Expanded Public Works Programme grant

Balance at the beginning of the year	120,941	2,155
Additions during the year	1,000,000	1,000,000
Income recognition during the year	(1,120,941)	(881,214)
	-	**120,941**

Notes to the Annual Financial Statements

	2016 R	2015 R

19. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Provision for landfill site	5,676,869	1,289,405	-	6,966,274

Reconciliation of provisions - 2015

	Opening Balance	Prior year adjustments	Additions	Total
Provision for landfill site	6,079,204	(542,736)	140,401	5,676,869

Landfill site
The landfill site provision is raised for the rehabilitation of the waste disposal site to its original state once the site has reached the end of its useful life. This is expected to be paid by 30 June 2017.

A discounting factor based on prime interest and adjustment for municipal specific risk was applied.

Leave pay
The leave pay provision is accrued at the Basic Conditions of Employment Act rate and is accumulated to a maximum of 48 days per employee.

20. Annuity loan

	2016	2015
Balance at year-end	15,239	67,224
Less: Current portion transferred to current liabilities	(15,239)	(67,224)
Long term portion	-	-

The municipality received five loans from the Development Bank of Southern Africa (DBSA) to fund water, electricity and sewerage expenditure.The terms of the loans vary between forty to sixty years. Each loan has a fixed interest rate however, all loans have different fixed interest rates. Interest rates are between 14,50% to 16,32% per annum, payable every six months.

Three of the five loans received were recoverable from uMgungundlovu District Municipality as the water and sanitation function was ceded to the District Municipality.

21. Revenue

	2016	2015
Fines, Penalties and Forfeits	8,691,200	6,216,200
Government grants & subsidies	56,296,486	44,264,627
Interest received - investment	2,550,490	2,680,850
Licences and permits	1,484,236	2,521,412
Other income	1,864,642	1,604,703
(Loss) / profit on sale of assets	(70,854)	213,545
Property rates	10,646,915	10,111,519
Property rates - penalties imposed	2,406,165	2,294,937
Rental of facilities and equipment	446,649	533,684
Donations received	-	835,418
Service charges	49,791,792	45,036,751
	134,107,721	**116,313,646**

Notes to the Annual Financial Statements

	2016 R	2015 R

21. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

	2016 R	2015 R
Interest received - investment	2,550,490	2,680,850
Licences and permits	1,484,236	2,521,412
Other income	1,864,642	1,604,703
(Loss) / profit on sale of assets	(70,854)	213,545
Rental of facilities and equipment	446,649	533,684
Service charges	49,791,792	45,036,751
	56,066,955	**52,590,945**

The amount included in revenue arising from non-exchange transactions is as follows:

	2016 R	2015 R
Taxation revenue		
Donations received	-	835,418
Property rates - penalties imposed	2,406,165	2,294,937
Property rates	10,646,915	10,111,519
Transfer revenue		
Government grants & subsidies	56,296,486	44,264,627
Fines, Penalties and Forfeits	8,691,200	6,216,200
	78,040,766	**63,722,701**

22. Service charges

	2016 R	2015 R
Refuse removal	3,243,384	2,739,515
Sale of electricity	46,548,408	42,297,236
	49,791,792	**45,036,751**

23. Rental income

	2016 R	2015 R
Premises		
Premises	437,801	515,593
Venue hire	8,848	18,091
	446,649	**533,684**

24. Other income

	2016 R	2015 R
Sundry income	1,085,122	963,884
Income from N3TC	779,520	640,819
	1,864,642	**1,604,703**

25. Investment revenue

	2016 R	2015 R
Interest		
First National Bank	209,230	503,028
Consumer debtors	2,244,431	2,010,684
Other	96,829	167,138
	2,550,490	**2,680,850**

Notes to the Annual Financial Statements

	2016 R	2015 R
26. Finance costs		
Finance leases	139,527	232,180
Bank overdraft	4,451	12,345
Provision for landfill site (unwinding)	104,851	140,401
	248,829	**384,926**

27. Property rates

Rates received

	2016 R	2015 R
Commercial	2,485,968	2,387,342
Communal property land	209,099	199,992
Hospitality and tourism	1,069,339	1,027,293
Municipal	6,405,700	6,112,244
Public benefit organisation	661,321	611,841
Residential	7,840,698	7,459,887
State	286,309	200,451
Less: Income forgone (Rate Rebate)	(8,311,519)	(7,887,531)
	10,646,915	10,111,519
Property rates - penalties imposed	2,406,165	2,294,937
	13,053,080	**12,406,456**

Valuations

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July, 2012.

Rebates of 30% were granted to rates on residential properties, 55% on agricultural properties, 30% on public service infrastructure and 20% on public benefit organisation. In the 2011/2012 year rebates of 30% were granted to rates on residentail, 55% agricultural properties.

Rates are levied on a monthly basis.

Rates are levied on the following properties as per the valuation roll:

Property valuations

	2016 R	2015 R
Agricultural	1,845,126,000	1,848,116,000
Agricultural smallholding	149,550,000	150,100,000
Business and commercial	193,645,000	198,645,000
Communal property and land reform	70,820,000	70,820,000
Industrial	2,260,000	2,260,000
Municipal	12,739,000	10,888,000
Place of worship	24,850,000	24,850,000
Public benefit organisation	121,945,000	121,945,000
Public service infrastructure	23,753,000	23,753,000
Residential and Residential hospitality	907,896,700	908,446,700
Sectional title - Commercial	2,200,000	2,200,000
Sectional title - Residential	8,030,000	8,030,000
State	91,100,000	91,100,000
State owned	75,297,000	55,732,000
Tourism and hospitality	121,385,000	121,635,000
	3,650,596,700	**3,638,520,700**

Notes to the Annual Financial Statements

	2016 R	2015 R

28. Government grants and subsidies included in revenue

	2016 R	2015 R
Operating grants		
Environmental Affairs subsidy	191,769	-
Equitable share	27,603,000	24,807,000
Finance management grant (FMG)	1,800,000	1,800,015
Intergrated National Electrical Program	6,000,000	5,000,000
Subsidy - other	1,161,776	-
Grants MPA	100,000	-
Provincial Library subsidy	928,000	710,000
Municipal system improvement grant (MSIG)	930,000	934,000
Museum grant	166,000	302,000
Extended Public Works Program	1,120,941	881,214
	39,809,717	34,434,229
Capital grants		
Municipal infrastructure grant (MIG)	16,295,000	9,830,398
	16,295,000	9,830,398
	56,296,486	**44,264,627**

Equitable share
In terms of the Section 227 of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. The Equitable share grant also provides funding for the municipality to deliver free basic services to poor households and to subsidise the cost of administration and other core services for the municipality.

Museum subsidy
This subsidy has been granted to the municipality for operational upkeep of the museum in the area.

Municipal infrastructure grant (MIG)
This grant is used to address backlogs in municipal infrastructure required for the provision of basic services.

Expanded public works programme (EPWP)
This subsidy is provided by the Department of Public Works to assist with the alleviation of poverty in the municipal area by providing temporary employment for the unemployed.

Small town grant
This subsidy is provided by the Department of Cooperative Governance and Traditional Affairs to perform feasibility studies with a view of developing the town by improving its economic state and attracting investment.

29. Impairment of assets

	2016 R	2015 R
Impairments		
Property, plant and equipment	81,554	-

Impairment losses are calculated based on the result of a physical verification conducted during which a condition assessment is performed.

Notes to the Annual Financial Statements

	2016 R	2015 R

30. Employee related costs

Acting allowances	321,113	198,243
Basic	16,000,357	14,995,534
Bonus	1,399,560	1,285,051
Cellphone allowances	22,200	26,050
Defined contribution plans	3,737,138	3,480,395
Housing benefits and allowances	304,630	103,520
Leave pay provision charge	417,945	139,489
Long service awards	315,000	495,000
Medical aid - company contributions	1,520,267	1,397,084
Other payroll levies	10,717	9,795
Overtime payments	1,475,361	1,322,576
Redemption leave	297,164	237,586
SDL	235,154	218,770
Travel, motor car, accommodation, subsistence and other allowances	1,587,002	2,016,442
UIF	170,473	165,308
Pay as you earn (PAYE)	3,339,006	2,848,404
Other allowances	18,000	-
	31,171,087	**28,939,247**

Remuneration of Municipal Manager

Annual Remuneration	800,800	648,000
Car, travel accommodation allowance and other	132,000	293,516
	932,800	**941,516**

Remuneration of Chief Finance Officer

Annual Remuneration	403,541	412,500
Car, travel accommodation allowance and other	229,193	249,040
Leave pay	79,448	-
	712,182	**661,540**

Remuneration of Director Corporate Services

Annual Remuneration	-	291,229
Car, travel accommodation allowance and other	-	124,813
	-	**416,042**

Remuneration of Director Technical Services

Annual Remuneration	476,250	450,000
Car, travel accommodation allowance and other	171,271	234,271
	647,521	**684,271**

Remuneration of Director Social Services

Annual Remuneration	333,375	315,000
Car, travel accommodation allowance and other	339,996	354,775
	673,371	**669,775**

Notes to the Annual Financial Statements

	2016 R	2015 R

31. Remuneration of councillors

	2016 R	2015 R
Mayor	584,466	489,189
Councillors	1,087,113	565,090
Councillors' pension contribution	250,737	116,604
Councillors' allowances	563,469	376,279
	2,485,785	**1,547,162**

32. Depreciation and amortisation

	2016 R	2015 R
Property, plant and equipment	6,791,986	5,477,789
Intangible assets	1,740	7,756
	6,793,726	**5,485,545**

33. Debt impairment

	2016 R	2015 R
Contributions to debt impairment provision	14,650,694	16,499,081

34. Bulk purchases

	2016 R	2015 R
Electricity	52,919,745	41,491,713

35. Contracted services

	2016 R	2015 R
Contracted services	14,644,148	3,804,515

Notes to the Annual Financial Statements

	2016 R	2015 R

36. General expenses

Advertising	202,262	84,998
Auditors remuneration	1,012,086	1,360,549
Cleaning	1,715	94,086
Computer expenses	110,217	358,834
Consulting and professional fees	9,444	871,500
Consumables	(39,182)	39,900
Deed transfers	12,238	21,296
Entertainment	127,700	62,793
Pauper burials	(2,400)	1,200
Hire	903,061	346,359
Insurance	177,375	155,133
Conferences and seminars	1,510,055	2,000
Valuation expenses	-	214,226
Medical expenses	987,484	352,667
Motor vehicle expenses	18,328	-
Pensioners medical aid	235,730	339,694
Fuel and oil	705,986	705,067
Postage and courier	56,836	106,446
Printing and stationery	122,702	162,362
Sundry costs	72,034	263,320
Software expenses	956	388,482
Subscriptions and membership fees	2,000	-
Telephone and fax	202,323	627,659
Transport and freight	24,000	-
Training	983,837	684,986
Travel - local	42,206	939
Service connections	826,977	393,127
Assets expensed	733,039	(4,576)
Electricity	563,912	237,626
Uniforms	310,360	57,711
Legal fees	500,000	667,971
Public participation	304,999	-
Grant expenditure	5,855,016	6,128,466
Publications	22,524	6,990
Team building workshops	-	1,000
Legal expenses	102,615	94,432
Other expenses	378,883	355,243
Restructuring	710,302	-
	17,787,620	**15,182,486**

37. Auditors' remuneration

Auditor General	1,012,086	1,360,549

38. Finance lease

The municipality had the following outstanding commitments under operating leases in the prior year:

Finance lease		
Within one year	1,098,364	764,949
In the second to fifth year	3,245,616	2,607,060
	4,343,980	**3,372,009**

There were no operating lease payments in the current year.

Notes to the Annual Financial Statements

	2016 R	2015 R

39. Cash generated from operations

	2016 R	2015 R
(Deficit) surplus	(7,153,764)	424,818
Adjustments for:		
Depreciation and amortisation	6,786,816	5,503,634
Fair value adjustments	(1,206,250)	(12,560,850)
Finance costs - Finance leases	248,829	384,926
Interest income	2,550,490	-
Debt impairment	15,148,171	16,499,081
Movements in retirement benefit assets and liabilities	(817,000)	495,000
Movements in provisions	1,289,405	(2,229,435)
Changes in working capital:		
Inventories	(184,905)	167,984
Receivables from exchange transactions	3,983,755	1,198,592
Receivables from non-exchange transactions	(16,337,858)	(15,000,274)
Payables from exchange transactions	19,928,981	15,793,787
VAT	(4,903,761)	1,018,138
Unspent conditional grants and receipts	479,234	3,485,373
Consumer deposits	15,992	(17,759)
	19,828,135	**15,163,015**

40. Commitments

Authorised capital expenditure

	2016 R	2015 R
Approved and contracted for		
• Mooi River Rehabilitation Programme	3,200,176	5,500,000
• Bruntville main Road	2,037,456	3,446,539
• Rosseta Multi-purpose centre	-	2,772,617
• Mooi River Upper Town	1,029,761	10,443,090
• Vrystaat Gravel Access Road	-	257,255
• Phofini Gravel Road	-	2,648,760
• Nkomba Gravel Road	649,578	2,691,662
	6,916,971	**27,759,923**

	2016 R	2015 R
Operating Contracts		
• Contracts due within 1 Year	9,733,644	8,224,185
• Contracts due 2 to 5 years	-	6,798,629
	9,733,644	**15,022,814**

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

41. Contingencies

There are no contingencies against or for the Municipality.

Notes to the Annual Financial Statements

	2016 R	2015 R

42. Prior period errors

In the prior year, some assets were discovered to be duplicated in the Fixed Asset Register and erroneously removed as disposals. These assets have been subsequently reclassified as adjustments in the current year resulting in a nil effect on accumulated surplus. The following balances/class of transactions were incorrectly accounted for and adjustments were made to correct the differences:

Assets

Landfill provision

Payables

Annuity loans

VAT

Revenue

The correction of the errors result in the adjustments as follows:

	2016	2015
STATEMENT OF FINANCIAL POSITION		
Increase in Assets	-	1,748,257
Increase in Revaluation Reserve	-	(6,349,150)
Increase in VAT Control	-	21,386
Increase in Debtors	-	7,783,639
Decrease in Provision	-	542,736
Decrease in Annuity loan	-	70,202
Increase in Payables	-	(6,176,877)
Increase in Accumulated Surplus	-	(2,359,807)
STATEMENT OF FINANCIAL PERFORMANCE		
Decrease in expenses	-	21,386
Decrease in revenue	-	233,369
Decrease in profit	-	211,983

43. Events after the reporting date

At the time of completion of the annual financial statements, there were no events after the reporting date affecting these Annual Financial Statements.

44. Unauthorised expenditure

	2016	2015
Opening balance	16,632,918	8,386,500
Unauthorised for the year	28,032,722	8,246,418
	44,665,640	**16,632,918**

Unauthorised per grant

	2016	2015
EPWP GRANT	17,308	-
FMG GRANT	20,177	-
MIG GRANT	5,762,413	-
INEP GRANT	1,816,110	-
ENVIROMENTAL GRANT	48,102	-
	7,664,110	-

Notes to the Annual Financial Statements

	2016 R	2015 R

44. Unauthorised expenditure (continued)

Unauthorised expenditure per vote:

MM's office	773,720	-
Corporate Services	1,839,280	-
Technical	2,249,641	-
Finance	1,431,153	-
Social Services	2,967,832	-
	9,261,626	**-**

Unauthorised expenditure for capital projects:	11,106,897	-

A detailed report will be prepared and tabled to the next council for condonation of the unauthorised expenditure.

45. Fruitless and wasteful expenditure

Opening balance	116,373	-
Fruitless and wastefull expenditure for current year	1,055,174	116,373
	1,171,547	**116,373**

Interest and penalty charges were levied for the late payment of Eskom invoices for electricity bulk purchases and late payment of Telkom invoices.

46. Irregular expenditure

Opening balance	23,466,847	14,193,817
Add: current year	2,958,786	9,273,030
	26,425,633	**23,466,847**

47. Deviation from supply chain management regulations

In terms of section 36(2) of the Municipal Supply Chain Management Regulation approved by council, any deviation from the Supply Chain Management Policy needs to be approved/ Condoned by the Municipal manager, noted by council where the formal procurement processes could not be followed must be noted in the Annual Financial Statements

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management policy ratified by the Municipal Manager and reported to council.

Deviations

Deviations for the current year	970,667	103,253

48. Risk management

Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the municipality. The utilisation of credit limits is regularly monitored.

	2016 R	2015 R

48. Risk management (continued)

Financial assets exposed to credit risk at year end are noted under the respective financial assets - investments, trade and other receivables and the cash and cash equivalents notes.

These balances represent the maximum exposure to credit risk.

Cash and cash equivalents	4,934,687	12,174,934
Consumer debtors	19,172,146	12,192,568
Maximum credit exposure	**24,106,833**	**24,367,502**

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality financial liabilities into amounts due within the 12 months after:

Trade payables	31,385,490	14,104,965
Finance lease obligation	512,087	410,803
Short term portion of long term liabilities	15,239	67,224
	31,912,816	**14,582,992**

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

Financial Assets - Investments

Financial Lease Obligation

Annuity Loan
- Call deposits
- Notice deposits
- Long-term debtors

This note presents the municipality's exposure to this risk. Quantitative disclosures of the amounts are disclosed throughout the financial statements.

49. Electricity losses

Electricity units (kWh) lost in distribution		
Electricity units (kWh) purchased from Eskom	64,615,839	62,234,443
Electricity units (kWh) sold from Eskom	(42,838,682)	(46,976,912)
	21,777,157	**15,257,531**

Electricity losses for the financial year is 33.70% (2015: 18%). The Rand value of the electricity losses for the current financial year is R7,878,091 (2015: R6,874,000).

These losses are attributable to electricity line losses within the electricity network infrastructure.

50. Going concern

We draw attention to the fact that the Municipality has unspent conditional grants liabilities that are not fully cash backed.

The unspent conditional grants liability amounts to R19,709,044 and the Municipality has cash and cash equivalents to the value of R4,934,687.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of service delivery.

ANNEXURE A: EXPLAINATIONS OF SIGNIFICANT VARIANCES BETWEEN BUDGET AND ACTUAL

Reference	Description	Approved Budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage difference between actual and final budget	Material or non material	Reasons
	Statement of Financial Performance								
	Revenue from exchange transactions								
1	Service Charge	57 150 000.00	-5 372 634.00	51 777 366.00	49 791 792.00	-1 985 574.00	-4%	Material	Electricity losses due to illegal connections
2	Rental of facilities and equipment	219 000.00	435 342.00	654 342.00	446 649.00	-207 693.00	-32%	Material	During the year hostel dwellers occupied the town hall which led to a substantial slump in the rental amount that was collected by the municipality.
3	Licences and permits	3 211 000.00	-1 793 000.00	1 418 000.00	1 484 236.00	66 236.00	5%	Non-material	N/A
4	Fair value adjustments	-	-	-	-70 854.00	-70 854.00	100%	Material	Certain municipal assets were fair valued during the year. No budget was made for this item hence the 100% material difference.
5	Other income	684 000.00	8 230 000.00	8 914 000.00	1 864 642.00	-7 049 358.00	-79%	Material	Initially the budget excluded the Small Town Grant which is a rollover from prior year. When this was rolled over it contributed to the significant increase in other income.
6	Interest earned	2 349 000.00	-265 000.00	2 084 000.00	-	-2 084 000.00	-100%	Material	Interest earned and interest on investment has been included as separate line items on the budget whilst has been included as 1 line item on the Financial Statements hence there is a shortfall of 2 084 000,00 and surplus of 2 126 490,00 respectively.
7	Service Charge-refuse revenue	3 222 000.00	-	3 222 000.00	-	-3 222 000.00	-100%	Material	Service charges electricity actual amount include service charge for refuse.
8	Interest received- Investment	524 000.00	-100 000.00	424 000.00	2 550 490.00	2 126 490.00	502%	Material	Interest earned and interest on investment has been included as separate line items on the budget whilst has been included as 1 line item on the Financial Statements hence there is a shortfall of 2 084 000,00 and surplus of 2 126 490,00 respectively.
	Total revenue from exchange transactions	**67 359 000.00**	**1 134 708.00**	**68 493 708.00**	**56 066 955.00**	**-12 426 753.00**	N/A	N/A	N/A
	Revenue from non-exchange transactions								
	Taxation revenue								
9	Property rates	11 929 000.00	-1 451 000.00	10 478 000.00	10 646 915.00	168 915.00	2%	Non Material	N/A
10	Property rates- penalties	2 766 000.00	-600 000.00	2 166 000.00	2 406 165.00	240 165.00	11%	Material	More penalties were levied by the municipality resulting in the 11% variance.
	Transfer revenue:								
11	Government grants & subsidies	38 427 000.00	-	38 427 000.00	56 296 486.00	17 869 486.00	47%	Material	Additional grants other than legislated received
12	Fines, Penalties and Forfeits	336 000.00	6 909 981.00	7 245 981.00	8 691 200.00	1 445 219.00	20%	Material	Various traffic rules violations led to an improved rate of issued fines than originally anticipated. This had a net positive spinoff on overall increase in revenue for the year.
	Total revenue from non-exchange transactions	**53 458 000.00**	**4 858 981.00**	58 316 981.00	**78 040 766.00**	**19 723 785.00**	34%	Non-material	N/A
	Total revenue	**120 817 000.00**	**5 993 689.00**	126 810 689.00	**134 107 721.00**	**7 297 032.00**	N/A	N/A	N/A

ANNEXURE A: EXPLAINATIONS OF SIGNIFICANT VARIANCES BETWEEN BUDGET AND ACTUAL

	Expenditure								
13	Personnel	-29 166 000.00	-330 000.00	-29 496 000.00	-31 171 087.00	-1 675 087.00	6%	Material	Budget does not include EPWP salaries. Increase of Councillers salaries as per dertemination of upper limits
14	Remuneration of Councillors	-2 261 000.00	-273 000.00	-2 534 000.00	-2 485 785.00	48 215.00	-2%	Non-material	N/A
15	Depreciation and Amortisation	-5 370 000.00	-	-5 370 000.00	-6 793 726.00	-1 423 726.00	27%	Material	On preparation of the budget depreciation was not estimated correctly. On the finalisation of the fixed asset register the municipality was able to obtain the correct amount of depreciation which exceeded the budget amount.
16	Impairment loss/ Reversal of impairments	-	-	-	-81 554.00	-81 554.00	-100%	Material	Certain assets were subjected to impairment loss. No budget was made for this expense item hence a percentage difference of 100%.
17	Finance Costs	-635 000.00	-	-635 000.00	-248 829.00	386 171.00	-61%	Material	Due to increased borrowings, more interest was incurred by the municipality.
18	Debt Impairment	-10 106 000.00	-	-10 106 000.00	-14 650 694.00	-4 544 694.00	45%	Material	Debtors impairment were lower than anticipated due to high provision in the prior years.
19	Repairs and Maintenance	-	-	-	-1 547 808.00	-1 547 808.00	100%	Material	Repairs and maintenance expenses are included under General Expenses.
20	Bulk Purchases	-55 735 000.00	-	-55 735 000.00	-52 919 745.00	2 815 255.00	-5%	Material	Bulk electricity budget was high since anticipated increasein bulk custormers
21	Contracted Services	-6 659 000.00	1 730 000.00	-4 929 000.00	-14 644 148.00	-9 715 148.00	197%	Material	Misallocation between General expenses and Contracted services has resulted to over expenditure on contracted service and under expenditure on General expenses.
22	Bank Charges	-	-	-	-136 739.00	-136 739.00	100%	Non-material	General expenditure includes bank cost expenses
23	General Expenses	-11 481 000.00	-5 256 000.00	-16 737 000.00	-17 787 620.00	-1 050 620.00	6%	Material	Misallocation between General expenses and contracted services has resulted to overexpenditure on contracted service and under expenditure on general expenses.
	Total Expenditure	**-121 413 000.00**	**-4 129 000.00**	-125 542 000.00	-142 467 735.00	**-16 925 735.00**	N/A	N/A	N/A
	Operating Deficit	-596 000.00	1 864 689.00	1 268 689.00	-8 360 014.00	-9 628 703.00		N/A	N/A
24	Fair value Adjustments	-	-	-	1 206 250.00	1 206 250.00	100%	Material	There was no provision for fair value adjustment on final budget as per grap requirements, fairvalueon investment property is required.
	Deficit befor Taxation	**-596 000.00**	**1 864 689.00**	**1 268 689.00**	**-7 153 764.00**	**-8 422 453.00**		N/A	N/A
	Deficit for the year from continuing operations	-596 000.00	1 864 689.00	1 268 689.00	-7 153 764.00	-8 422 453.00		N/A	N/A
25	Transfer recognised- capital	12 295 000.00	4 000 000.00	-16 295 000.00	-27 401 897.00	-11 106 897.00	68%	Material	Additional MIG allocation to the municipality to complete projects .
	Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**11 699 000.00**	**5 864 689.00**	**-15 026 311.00**	**-34 555 661.00**	**-19 529 350.00**	N/A	N/A	N/A

Balance Sheet

Statement of Financial Position

ANNEXURE A: EXPLAINATIONS OF SIGNIFICANT VARIANCES BETWEEN BUDGET AND ACTUAL

26	Inventories	-	76 130.00	76 130.00	261 035.00	184 905.00	243%	Material	More electricity meters were purchased at the year end in order to meet the demand for more electrification of houses in the beginning of the financial year.
27	Other Receivables	497 000.00	-	497 000.00	3 577 641.00	3 080 641.00	100%	Material	On the finalization of Budget Other receivable were anticipated to be lower as Receivables from Traffic Fines were not included.
28	VAT receivable	-	-	-	2 673 249.00	2 673 249.00	100%	Material	VAT receivable was due to incorrect calculation during the year. This was not anticipated during budget preparation.
29	Receivables from non-exchange transactions	-	-	-	12 342 982.00	12 342 982.00	100%	Material	The amount for consumer debtors include recievable from non exchange transactions.
30	Consumer debtors	29 000 000.00	-	29 000 000.00	19 172 146.00	-9 827 854.00	-34%	Material	The amount for consumer debtors include recievable from non exchange transaction.
31	Financial assets-Investments	5 882 000.00	-4 529 000.00	1 353 000.00	-	-1 353 000.00	-100%	Material	In terms of disclosure requirements Investments that can be liquidated with a short space of time is disclosed under Cash and Cash Equivalents. Moreover the Municipality has liquidated its Investmests.
32	Loans receivable	500 000.00	-100 362.00	399 638.00	399 638.00	-	0%	Non-material	N/A
33	Cash and cash equivalents	1 000 000.00	-1 000 000.00	-	4 934 687.00	4 934 687.00	100%	Material	Short term Investments have been included under Cash and Cash Equivalents in line with GRAP reporting requirements.
		36 879 000.00	**-5 553 232.00**	**31 325 768.00**	**43 361 378.00**	**12 035 610.00**	N/A	N/A	N/A
	Non-current assets								
34	Investment property	5 335 000.00	-	5 335 000.00	21 202 000.00	15 867 000.00	297%	Material	Property values has been budgeted at Cost model of Investment Property and the Financial statements the Investment Property has revalued in line with the Municipal Accounting Policies.
35	Property, plant and equipment	58 553 000.00	14 650 000.00	73 203 000.00	81 679 876.00	8 476 876.00	12%	Material	The budget was based on last year's audited information. During the current financial year, an adjustment (through prior period error) was done. This led to the subsequent increase in PPE.
36	Intangible assets	85 000.00	-	85 000.00	3 469.00	-81 531.00	-96%	Material	This material difference was as a result of normal amortisation of the intangable assets.
37	Heritage assets	-	-	-	107 500.00	107 500.00	100%	Material	Revaluation of mayoral chain.
38	Other non current assets	99 000.00	-	99 000.00	-	-99 000.00	-100%	Material	There was a meterial additions on capital project this was accompanied by increased MIG allocation. This was not anticipated during time of Budget preparation.
		64 072 000.00	**14 650 000.00**	**78 722 000.00**	**102 992 845.00**	**24 270 845.00**	N/A	N/A	N/A
	Total assets	**100 951 000.00**	**9 096 768.00**	**110 047 768.00**	**146 354 223.00**	**36 306 455.00**	N/A	N/A	N/A
	Liabilities								
	Current Liabilities								
39	Finance lease obligation	-	-	-	512 087.00	512 087.00	100%	Material	Movements on finance lease
40	Payables from exchange tranctions	17 109 000.00	2 899 869.00	20 008 869.00	10 058 082.00	-9 950 787.00	-50%	Material	Material payables due to cash flow challenges
41	Taxes and transfers payables (non exchange)	-	-	-	2 654 658.00	2 654 658.00	100%	Material	There is no payable to SARS at year end. Accordingly there was a receivable due to incorrect calculation during the year.
42	Consumer deposits	266 000.00	-	266 000.00	263 758.00	-2 242.00	-1%	Non-material	N/A

ANNEXURE A: EXPLAINATIONS OF SIGNIFICANT VARIANCES BETWEEN BUDGET AND ACTUAL

43	Employee benefit obligation	-	-	-	358 000.00	358 000.00	100%	Material	The amount is as per the Valuation Report.
44	Unspent conditional grants and receipts	-	-	-	19 709 044.00	19 709 044.00	100%	Material	Prior year's grants mainly on Housing Projects and Small town remain unspent.
45	Provisions	7 524 000.00	-1 376 000.00	6 148 000.00	6 966 274.00	818 274.00	13%	Material	There was an understatement of provision in the prior year hence less budget for provision was made. The actual has been adjusted with the correct figure.
46	Short term portion of long term liabilities	70 000.00	-	70 000.00	15 239.00	-54 761.00	-78%	Material	The budget was made comparing to last year's figures. During the year less amount was apportioned to short term liabilities.
47	Bank overdraft	-	15 836 000.00	15 836 000.00	-	-15 836 000.00	-100%	Material	Due to Cash-flow problems, the Overdraft was anticipated which was not used at the Financial Year.
		24 969 000.00	**17 359 869.00**	**42 328 869.00**	**40 537 142.00**	**-1 791 727.00**	-4%	Non-material	N/A
	Non-current liabilities								
48	Borrowings	950 000.00	-	950 000.00	-	-950 000.00	-100%	Material	No borrowings as anticipated on the Budget.
49	Finance lease obligation	-	-	-	242 410.00	242 410.00	100%	Material	Lease items acquired during the year.
50	Employee benefit obligation	-	-	-	10 048 000.00	10 048 000.00	100%	Material	As per evaluation report.
51	Provisions	11 486 000.00	-	11 486 000.00	-	-11 486 000.00	-100%	Material	Provision made on the Budget however there was no long term Provision at year-end.
		12 436 000.00	**-**	**12 436 000.00**	**10 290 410.00**	**-2 145 590.00**	N/A	N/A	N/A
	Total Liabilities	**37 405 000.00**	**17 359 869.00**	**54 764 869.00**	**50 827 552.00**	**-3 937 317.00**	N/A	N/A	N/A